



Working Together to Lessen the Impact of Rising Energy Prices on Our Customers

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Delaware Public Service Commission

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Situation: Rising Energy Prices

- Energy prices for fuels used in the residential, commercial, industrial and electric generation sectors have increased significantly, making it more expensive to generate electricity and driving up costs for our customers.

- Future energy prices are a real concern that require statewide partners working together:
 - DE PSC
 - SEU
 - CEEG
 - Public Advocate
 - Utilities
 - Low-Income Agencies

How Can We Lessen the Impact?

- **Supply:** Enhance strategies for buying and hedging fuel sources, implement our portfolio approach, invest in new transmission, and potentially build regulated generation.
- **Demand Side Management:** Fast-track demand-response programs and move ahead on 'Blueprint' initiatives.
- **Communication and Education:** Provide our customers the right information and tools to save energy and money.
- **Future Planning:** Continue to look at what is taking place in other areas and is working.

Gas Supply - Where We've Been & Where We're Headed

➤ Recent gas supply rate changes

- Combined, the gas supply rate has ***decreased*** 13.8% (total bill) during the past two winter heating seasons

➤ 2008-2009 GCR Outlook

- Estimated 2008-2009 commodity costs are between 30-50% higher than last year
- Currently, 25% of 2008-09 gas supply needed is hedged at 25% below current market price
- Contract storage will fix cost of 36% of winter demand prior to heating season
- Despite these efforts, pricing trends point upward

Gas Supply – What Should We Focus On Going Forward?

- Evaluating different hedging strategies to cap upside risk
- Evaluating a shift in the allocation of demand costs to lessen impact on residential and small commercial gas customers
- Setting GCR more frequently than annually might not lower customer costs but would offset a one-time significant percentage increase
 - NJ LDCs file annually
 - PA LDCs file quarterly
 - MD LDCs file monthly

Electric Supply - What's Working & What Should be Explored?

- Recent electric supply rate changes
 - Three-year rolling SOS contracts produced less than 2% increase in '07; less than 3% increase in '08 (total bill).
- What should we focus on going forward?
 - Implement the portfolio laid out in our recent IRP filing.
 - Consider authorizing “market test” for five-, 10- or 15-year, long-term contract.
 - Consider authorizing regulated generation feasibility study.
 - Approve land-based wind contracts.
 - Keep moving ahead with the Mid-Atlantic Power Pathway.

Energy Efficiency – Our Blueprint



A PHI Company

- Continue to move forward on advanced, proven technologies to bring customers into the digital age and create an “intelligent” grid by:
 - Installing **Smart Meters** in all homes to provide customers enhanced energy information
 - Offering programs such as **Smart Thermostats** to enable customers and company to partner for controlling energy use during peak periods
 - Eliminating link between electricity sales and revenues to align the company interests with our customers.



What's Happening Elsewhere?

- MD Approves Delmarva's 'Blueprint' Initiatives
 - Three-year CFL and Energy Awareness program – CFLs offered at discounted prices
 - Residential Direct Load Control program using new technology will reduce peak electricity demand – mitigate market prices, improve reliability and offer bill savings
 - Approved Bill Stabilization – Eliminated link between electricity sales and distribution revenues to end conflict between fiduciary obligation to shareholders vs. interests of customers
- DC PowerCents Pilot Under Way
 - Program designed to test-market alternative pricing rates during peak usage times
 - Smart meters installed on 1,400 residential accounts

What We're Doing for Our Customers

- Promoting Online Energy Audit Tool – called My Account
 - Launched customer contest to increase use
 - Summer advertising campaign to include billboard, radio and print
 - Ongoing bill message to promote tool
- Supporting Public Education Campaign for Energy Conservation
 - 85 Ways to Save brochure, Counting Kilowatts brochure
 - Speakers Bureau Program Outreach
- Expanding Low-Income Application Fairs Outreach
- Supporting Energy Assistance Programs, and Funds
 - Good Neighbor Energy Fund, Warm the Heart Fund, Annual Low-Income Summit
- Promoting Budget Billing
 - Bill inserts and messages

What More Can We Do for Our Customers!

- Be more aggressive in energy efficiency areas not covered by the SEU.
 - Consider CFL-discount program
 - Consider helping to educate and direct customers to SEU
 - Work closely with SEU to determine potential gaps in the state
- Establish new demand-response programs.
 - Web-based PJM load management program aimed at C&I customers
 - Re-invent Energy For Tomorrow program by offering cycling equipment aimed at curtailing energy use during peak periods
- Launch Energy Awareness Marketing Campaign
- Explore partnership with DE Energy Office to identify older dwellings in need of weatherization

Thank You!

Any Questions?